

## **Town of Bedford Finance Committee**

Town Hall, Selectmen's Meeting Room

February 27, 2014

Members in attendance: Rich Bowen (late arrival), Tom Busa, Steve Carluccio, Bob Kenney, Elizabeth McClung, Barbara Perry, Mike Seibert (Chair), Steve Steele, Ben Thomas.

Also in attendance: Victor Garofalo, *Director of Finance and Collector/Treasurer, Town of Bedford*; Brad Hafer, *School Committee*; Mary McBride, *reporter for The Bedford Minuteman*; Bill Moonan, *Selectmen (Chair)*; Rick Reed, *Town Manager*; Abbie Seibert, *School Committee*; Roy Sorenson, *DPW Director*; Julie Turner, *reporter for The Bedford Citizen*.

**Model 3.1:** Mr. Garofalo described changes made to the financial model since the last meeting.

- The Free Cash number has been increased to \$2,042,314.
- The State Aid line item has been increased to \$ 5,996,125—5.25% more than FY14. Mr. Garofalo said the increase remains conservative; it is less than Governor Patrick's working number (which is about \$100,000 higher).
- Revenue from the Pension Trust Fund was changed from zero to \$66,000.
- Although no change was made to the Snow Deficit of \$300,000, Mr. Garofalo said the actual YTD amount—based on past storm management costs— now stands at \$220,000. More storms are expected so the deficit may increase in upcoming models.
- Based on the planned addition of 16.5 FTEs in the School department, Mr. Garofalo adjusted Health Insurance upward to \$5,484,500; the General Insurance upward to \$ 799,061; and the Medicare Assessment upward to \$ 587,275.
- The School budget now appears as it was voted at the Feb. 13 Finance Committee meeting: \$35,526,473. Mr. Garofalo has place all the increase in the salary line for the moment but will distribute the additional amount to the appropriate categories once he receives more information.
- The Finance Committee Reserve line item was increased from \$ 609,280 to \$730,000. The Homeless transportation portion of the Reserve—\$360,000— has not been segregated; Mr. Seibert asked that it be given its own line item. Mr. Garofalo will make the change.
- The Planning Board salary and expense line items have together increased by \$11,500. Salaries now stand at \$ 173,349 and Expenses at \$ 3,450. These changes reflect FinCom's approval of additional hours for the Assistant Planning Director.

- The Board of Health salary line item increased by about \$2,000 due to the contractual increase for the School Nurses.
- The Additional Non-Recurring State Aid line item was increased from \$150,000 to \$250,000.

The amount of unused tax levy remains at \$1M.

Mr. Steele reported that the School committee voted at its last meeting to decrease the School budget by \$60,000. The new budget total as voted by the School Committee is \$35,785,029 vs. the FinCom School budget of \$35,526,473. A delta of \$258,556 remains between the School's voted budget and FinCom's approved over-guideline School budget.

The School Committee also discussed these three budget-relevant subjects:

- 1) Benefits. Mr. Garofalo said he and School Finance Director David Coelho have discussed how the benefits number could change based on whether new hires accept health insurance benefits.

Because the Town must plan for the possibility that all new hires will accept the benefit, adjustments cannot be made until Special Town Meeting when the actual benefit enrollment is known. Mr. Garofalo said the only part of the benefit line item that could be reduced now (and adjusted later) is the retirement portion. He suggested \$11,870 be shaved off temporarily.

Mr. Hafer said Superintendent Sills provided the School Committee with figures showing that an average 61% of new hires have taken health care benefits in the past five years. Mr. Steele commented that it seemed a gamble to shortchange the account. Ms. McLung speculated that there might be a higher percentage of health care enrollees this year given changes to coverage requirements and the still-weak job market.

The consensus of the Committee was to keep the health benefit number as it is, but to reduce the retiree portion by \$11,870, as Mr. Garofalo suggested.

- 2) Reduction of the homeless transportation reserve by \$80,000. Mr. Steele said the School Committee reports the number of homeless students requiring transportation has gone down. The School Committee hoped that this portion of the transportation reserve could be diverted to the School budget.

Mr. Carluccio pointed out that homeless student transportation reserve was never in the School budget to begin with; he added that the reimbursement doesn't come in until the following year. Adding \$80,000 to the School budget would also raise the baseline so that next year, the percentage increase would be based on the FY15 budget that included the \$80,000.

- 3) Postponement of two capital items: The School Committee also discussed postponing two capital projects totaling \$26,855—Lane School Acoustics for \$17,561 and Lane Custodial Equipment Renewal for \$9,294— asking that those funds to be dedicated to the budget instead.

Several FinCom members reacted negatively to this suggestion, questioning the legitimacy of moving capital funds to an operating budget. In response to these comments, the two School Committee members present assured FinCom it was not the intent to “raid other budgets” but to offer options to solve the budget delta problem. Mr. Hafer clarified it wasn’t that the capital projects weren’t needed; it was that the School Committee agreed there was a higher need to support the budget.

Ms. Seibert added that the idea to postpone the two capital items come from the Feb. 13 FinCom meeting; however, Ms. McClung remembered that discussion differently.

Mr. Moonan asked FinCom to consider the matter in terms of whether it supported the School budget; if so, he recommended moving the discussion to where the money would come from. Ms. Perry agreed that FinCom needed to “weigh in” on the School budget; Mr. Busa said he believed FinCom had done that when it added another \$325,000 above guideline to the School budget at the last meeting.

In reference to the suggested decrease in homeless transportation reserve funds, Ms. Perry said that accurate calculations are possible if firm numbers are known. There were 52 students; now there are 35 requiring transportation. Mr. Hafer agreed, saying the homeless student transportation reserve was crafted around a worst-case scenario of 52 students all year long. It was noted that although the State has not always kept its word in all matters, in this case—as was promised in October— there has been no “backfilling” of homeless families at the Plaza.

Moving on to the Capital Article, DPW Director Sorenson provided a complete list of 70 Town vehicles and pieces of equipment. One of the capital articles, slated for bonding, is two trucks totaling \$440,000. The rest of the vehicle budget—in the capital budget— is \$444,622.

Mr. Sorenson described the two replacement trucks slated for bonding as being unable to pass inspection because they have cracked chassis and other body damage. The new models will be different makes, heavier construction, have wider “wing” spans and a longer life expectancy (20 years vs. 15).

Ms. McClung asked Mr. Sorenson whether he had considered using contracted services instead of buying equipment and hiring staff. Mr. Sorenson replied that the Town does use some contracted services, including plow crews. He added that the replacement trucks in question are crucial to the basic services the DPW provides and are used year-round, although they are more crucial during the winter months.

Mr. Sorenson said the DPW has 7 trucks of this nature. He will trade in the two trucks that will be replaced. Mr. Busa asked about the status of the other 5 trucks. Mr. Sorenson answered that “3 of the 5 are getting up in age” while the other 2 are “relatively new.” He plans to stagger replacements, to spread out the financial impact. Mr. Busa asked if the DPW could do its operation with 6 trucks instead

of 7. Mr. Sorenson said it was possible, but hard, adding that sometimes a truck will go out of service under normal circumstances and doing the job with 5 isn't possible.

Mr. Sorenson said there are variables but per storm costs run between \$7,000 and \$11,000 per inch. Some storms happen over the weekend or at night. Smaller storms use a lot of salt but not as much manpower. Sometimes outside contractors are hired, sometimes they aren't. So far this winter, there have been 73 inches of snow and 12 "plowable events."

Ms. McClung noted that at least one of the vehicles on the list of 70 has a "poor interior." She asked what the cause of that might be. Director Sorenson replied that staff often work "in bad areas" and get in and out of the vehicles in dirty work clothes.

Going back to the School capital item question, it was noted that the two projects offered for postponement – Lane School Acoustics for \$17,561 and Lane Custodial Equipment Renewal for \$9,294—are the lowest ranked School projects on the capital list.

Mr. Busa asked about the possibility of using any of the Schools' special funds or accounts to address the budget shortfall. Mr. Hafer spoke about the Mudge Fund (balance \$230,000), saying the practice had been to use the interest for athletic needs.

Mr. Carluccio wanted to know if there was a thorough review of all the special accounts under the Schools' control. Ms. Seibert and Mr. Hafer replied that there is such a review every year. Mr. Carluccio said that, given the budget challenges this year, is the review conducted in a different light? He added that there's a lot of money in the accounts and that the balances don't seem to go down from year to year.

Ms. Seibert said that there are other expenses to be considered that don't show up in the budget or as requests for funds. She added that School Committee Chair Pierce had provided the rationale behind not "raiding the account" so as to preserve the Mudge Fund for future generations.

Mr. Busa pointed to an account with a balance of \$163,000 called "School Room Rental". Ms. Seibert replied that this money is being used against the custodial budget every year. Mr. Busa said the chart shows that \$9,000 has been used but there's still a balance of \$163,000 that could be used.

#### **Warrant:**

Since capital had just been discussed, **Article 17** was the first of those not yet voted to be addressed.

Ms. Perry moved that the Finance Committee recommend approval of **Article 17—Capital Projects Plan—Fiscal Year 2015** for a total of \$2,284,141 as written in the warrant. Mr. Carluccio seconded.

Mr. Busa asked whether the Selectmen had voted on the article. Mr. Garofalo said they had and there had been no changes to Capital Expenditures' recommendation.

The motion passed 7-0-1.

The vote on **Article 6— Zoning Bylaw Amendment – Flood Plain Map Reference** was postponed because the results of the Planning Board’s public hearing were not available in time for the last Selectmen’s meeting.

A vote on **Article 7— Street Acceptance – Hartwell Road** was also postponed because of issues not yet resolved.

Mr. Bowen arrived at this point in the meeting.

A vote on **Article 13 –Aspen Technology Tax Increment Financing Agreement** was postponed awaiting further information and the Selectmen’s vote.

**Article 18—Amend FY14 Community Preservation Budget** proposes an additional \$215,000 for funds complete the exterior restorations to the historic passenger building at Depot Park.

Ms. Perry moved to recommend approval of **Article 18—Amend FY14 Community Preservation Budget** for item 4: Depot Building restoration for \$215,000 as written in the warrant. Mr. Kenney seconded.

The arguments for and against spending another \$215,000, as discussed at the last meeting, were briefly summarized. Against recommending approval were those members who felt that the price tag is too high; for approval were those who thought that preservation of an historic building and upgrades to the depot area are worth the expense.

The motion failed 3-4-2.

Mr. Busa then made a motion that the Finance Committee recommend disapproval of **Article 18— Amend FY14 Community Preservation Budget**, item 4: Depot Building restoration for \$215,000 as written in the warrant. Mr. Kenney seconded.

In discussion, Mr. Reed spoke about the previous votes at Town Meeting that supported funding the restoration effort. If approval of the final \$215,000 is not achieved, the building would be half finished. The contract has been bid and it is on the next Selectmen’s agenda to award the contract to the lowest of 5 bidders. Mr. Reed said the Selectmen have supported the restoration project all along and there is no reason to believe they will not move forward. He added that doing the whole project at once— rather than in two parts— will save money.

The vote to disapprove Article 18 failed 3-3-3.

Mr. Garofalo said that FinCom will have to make some sort of recommendation at Town Meeting. There are a few meetings remaining before Town Meeting on March 24.

Mr. Thomas asked about the concept of a Cultural District that has been floated for the last couple of years. Mr. Moonan responded that the State has grant money to promote the creation of cultural districts that have shown to attract visitors and business. He added that other property owners in the Depot area are making investments to upgrade their buildings.

Mr. Busa disagreed with the premise that changes to the passenger depot have spurred investment. He said property owners are spending money to improve their own assets. The amount of money the Town has already spent on the little building next to the train (\$475,000) and funds to restore the depot building are extremely expensive.

Mr. Reed said renovations cost more than they would to a residence because the building is historic and work must comply with State specifications. He added that every investment in the Depot has gone through Town Meeting and voters have supported the effort.

Ms. McClung said she didn't believe the voters knew the scope of the project when they approved each smaller piece. Mr. Busa said that FinCom's job is to take a look at the financial aspects of proposals and he finds the Depot cost to be outrageous.

Mr. Reed said a Town will always pay more for a project than a private citizen would because of government procurement rules. He added that approving funds to finish the project would be carrying out the will of the people. He believes that the project would not have been possible without the availability of Community Preservation funds.

Mr. Kenney said he didn't agree that FinCom had to come to consensus about warrant article recommendations. Instead, it could be explained at Town Meeting that the Committee didn't agree and the different positions could be identified.

Ms. McClung said she does not support adding debt that would perpetuate the 3% Community Preservation surcharge. Mr. Reed replied it is an exaggeration to say that most of the CP funds now go toward debt. Mr. Garofalo reported that 1/3 of the CP budget—represented in two bonded projects: Princeton Property purchase on Concord Road and Town Center—is the total CP debt load. Reed reminded the Committee the Princeton Property bond of \$6M was a unanimous vote at Town Meeting and that it put a stop to another multi-unit high-density apartment complex. He added that the Town Center was work that needed to be done anyway and it was fortunate to have CP to fund it.

Mr. Reed said if the voters feel CP is no longer desirable, they can vote it out. The Town would have to maintain a 1% surcharge— rather than a 3% surcharge— until CP debt is amortized. He added that “no one has ever come close to suggesting that the surcharge should be discontinued.”

Mr. Busa disagreed, saying the Finance Committee has voted in the past to eliminate or reduce the surcharge. Mr. Carluccio asked to return to the agenda and take up the question of CP again in the fall before the annual Special Town Meeting vote about whether to continue the surcharge.

Moving on to **Article 19 item 10, Historic Properties Preservation Fund \$ 200,000**, Mr. Garofalo summarized the reasoning behind moving funds back into the HP Fund that were essentially “borrowed” so that the Depot project could move forward. The practice of keeping a balance in the Historic Preservation Reserve account that was explained during the CP presentation to FinCom at the February 13 meeting was again explained.

Mr. Carluccio asked if it is strictly necessary to move the funds. The answer was that there is no

necessity, just a policy of keeping the fund at \$1M in order to maintain historic properties in the future and safeguard against CP being voted out. Mr. Garofalo clarified that the money, if not approved by Town Meeting, would default to the Undesignated Fund balance.

Mr. Carluccio made a motion to recommend disapproval of **Article 19 item 10, Historic Properties Preservation Fund \$200,000.00** as written in the warrant. Mr. Busa seconded.

The motion to disapprove passed on a vote of 5-4-0.

**Article 21- Appropriate Funds for Bedford Permanent Firefighters Association Agreement** is not yet ready for a vote and was tabled until a later date.

**Article 22-Supplement Operating Budget for Fiscal Year 2014 and Articles of the 2013 Annual Town Meeting** was similarly tabled. Mr. Garofalo said the basic action items within this article are taking money from the Sewer Fund and Free Cash and increasing the Reserve Fund.

**Article 23- Salary Administration Plan Bylaw Amendment – Classification & Wage Schedule** is a standard article. The article would increase some (but not all) mid-range and maximum- range salaries by 2%. Mr. Reed said some salaries would not change at all. He added that union employee salaries are governed by legal, negotiated contracts; the Salary Bylaw concerns only the non-union employees who do not work with a contract.

Mr. Garofalo said there are two new positions that have been added to the non-union employee roster: Recycling Coordinator and Economic Development Officer. Mr. Seibert asked Mr. Reed how he decided which salary category the two positions would fall under. Mr. Reed replied that there are two methods the Town uses: market analysis and the Factory Evaluation System that analyses the responsibility and supervisory level of the job in question and then calculates salary level.

Mr. Carluccio made a motion that the Finance Committee recommend approval of **Article 23- Salary Administration Plan Bylaw Amendment – Classification & Wage Schedule** as printed in the warrant. Ms. Perry seconded. The motion was passed 9-0-0.

Before the vote on **Article 27- Other Post-Employment Benefits Liability Trust Fund Appropriation**, Mr. Garofalo explained how the amount of \$551,578 was determined for the FY15 allocation. In 2012, a six-member group was formed: Mr. Garofalo, Mr. Reed, Mr. Busa, Mr. Pierce from the School Committee, Mr. Murphy from the Assessors, and Mr. St. Onge from the Selectmen. A schedule was developed so that a consistent amount would be placed annually in the OPEB account. Mr. Garofalo said that the account balance is very close to being on target as envisioned, with several months of interest remaining until the close of the fiscal year.

The original idea behind the schedule was to start the fund at \$525,000 and grow the allocation by 2 ½% per year. Then, in 5 years, after two actuarial studies have been conducted, the Town would revisit the formula. Mr. Garofalo included information about what other Triple A communities are doing to tackle their unfunded liabilities, noting that Bedford's fund balance, started in FY13, is neither highest or lowest by comparison.

Mr. Bowen added that the level of liability dropped precipitously by \$26M when the Town joined the State's health care program. Pending legislation might result in another large drop in liability. If this occurs, the schedule as established might be closer to what the Town actually needs.

Mr. Bowen moved that the Finance Committee approve **Article 27- Other Post-Employment Benefits Liability Trust Fund Appropriation** as written in the warrant. Mr. Carluccio seconded. The motion passed on a vote of 9-0-0.

After a reckoning of the account—now at \$375,850.75—including reasons behind maintaining a balance large enough to satisfy demands made by long-term employee retirement, Mr. Busa moved that the Finance Committee recommend approval of **Article 28 -Supplement Accrued Sick Leave Fund** at \$25,000. Ms. McClung seconded. The motion passed 9-0-0.

Because the unused tax levy is at \$1.011, Mr. Seibert proposed that \$11,000 be returned to the model. Mr. Seibert also returned to the issue of homeless student transportation reserves, saying the Schools recommend that \$80,000 of the reserve be freed up for other uses since the student population needing transportation has declined.

Ms. Seibert from the School Committee said numbers of homeless students change almost daily. She said, based on those numbers, the School Committee could have recommended shifting \$135,000. Instead, to act conservatively, the Committee recommended \$80,000.

Mr. Carluccio agreed that if the money is not needed in the Reserve, it should be moved to the Unused Levy, pending further discussion about where it should be allocated.

To address this, Mr. Carluccio moved to reduce the Finance Committee Reserve Fund to \$650,000. Mr. Steele seconded. The motion passed 7-0-1.

Mr. Garofalo stated that, at this point, the Unused Levy over \$1M equals \$91,370.

Returning to the question of deferring the two Lane School capital projects— Lane School Acoustics for \$17,561 and Lane Custodial Equipment Renewal for \$9,294—Mr. Carluccio said that switching the money from capital to the Schools' operating budget is not in FinCom's purview and that CapEx might rather take the money and fund the next projects on the ranked list. Mr. Bowen said the total capital allocation could be reduced by the amount of the two projects because the sponsors of the project have withdrawn their request. Mr. Steele said the Schools stipulated that they would postpone the projects only if the funds were dedicated to the School Operating Budget.

Mr. Moonan repeated that FinCom should decide whether it supports the School budget. If so, postponing the projects in order to free up funds for the operating budget is one way to support the School budget.

Mr. Bowen said that many of the Schools' other Capital requests were related to the educational mission but these two were less so. If the School Committee is willing to defer the projects, he supports the reduction in favor of the Schools' Operating Budget.



Mr. Moonan speculated that the Selectmen might be willing to change their vote to support of the change in Capital Budget total, based on reasoning similar to Mr. Bowen's.

Mr. Carluccio made a motion to reduce the Capital budget by \$26,855 and increase the School budget guideline by the same amount. Mr. Bowen seconded.

Ms. McClung said the issue should be framed differently than moving money from Capital to Operating. Mr. Thomas said he didn't want to fool around with the Capital budget and he wasn't in favor of adding to the School's baseline. Mr. Kenney said this action would set a precedent that any other department could repeat. Ms. McClung noted that capital investment affects bond ratings and that if the amount spent on capital declines, it could reflect poorly on the Town. Ms. Perry said she isn't comfortable reducing the capital budget at this point in the process because all the capital projects have been considered and prioritized; if this money had been available during the rankings, CapEx might have chosen to fund more projects.

Mr. Steele said that the delta is \$318,000. He asked what other options remain open to close the gap?

Ms. Seibert replied that the School Committee has no plan for how to close the gap—it has merely presented several suggestions as possible courses of action. What the School Committee is saying is that the needs it has identified are \$318,000 higher than what FinCom has voted.

Mr. Steele said he doesn't believe the disagreement between FinCom and the Schools is about need; it's about what funds are available. Ms. Seibert said there are many different solutions available.

Returning to the motion at hand to reduce the Capital budget and increase the School Committee Operating Budget by the same amount, the motion failed on a vote of 3-6-0.

Mr. Carluccio revised the delta amount. It now stands at \$258,556.

Mr. Busa made a motion that the School Committee close the gap by taking \$258,556 in funds from their special accounts. Mr. Steele seconded.

Mr. Carluccio said he agreed with Mr. Busa in spirit, that the special accounts should be reviewed thoroughly, but that the whole amount needed might not be available within the special accounts. Mr. Thomas said he has a problem with micromanaging department budgets and that he believes the Committee has done its due diligence. Mr. Garofalo said the Schools can't use many of the accounts for their Operating Budget but that he and School Finance Director Coelho have cleaned up some accounts that have resulted in returning funds to the Town.

Ms. Perry asked if the account funds that can be used have been used. For example, have the SpEd accounts been used to fund the SpEd program? Mr. Garofalo replied that funds such as SpEd, Circuit Breaker, and Metco are incorporated into the School budget. Ms. Seibert replied that the funds are indeed used in this way and that the fund balances FinCom has been looking at are just snapshots of the balances at one point in the year.

Mr. Busa said “there are fund balances that can be used that far exceed the problem.” He added that if the School Committee doesn’t want to use the funds, it should go to Town Meeting to ask for more.

Ms. Perry said she’s not sure the motion as it stands is actually do-able because the funds in the accounts that can be used might not add up to the amount needed.

The motion to close the gap using \$258,000 from the special School accounts failed on a vote of 1-7-1.

Mr. Carluccio motioned that of the \$91,000 of available unused tax levy, \$31,000 be moved to the Snow Deficit and \$60,000 be moved to increase the School budget guideline. Mr. Bowen seconded.

The motion passed on a vote of 5-4-0.

Because more information on trends is needed to have an appropriate discussion, Ms. Perry requested a 6-year history of how much special account income has been used, the changes in student population, FTE costs in categories like SpEd and Tech. Mr. Garofalo will ask Mr. Coelho for the info. Ms. Perry will also work with Mr. Steele, FinCom School Committee liaison, to gain a further insights.

Mr. Bowen asked for 4-5 years’ worth of figures on average FTE costs, specifically for the teaching staff. He also requested that the category of teacher be broken into areas of regular classroom and Special Education so that student/teacher ratios in the different areas can be better understood.

Mr. Busa said that the biggest thing that drives the School budget is the increase in contractual salaries for existing staff. If teacher salary increases outstrip Town revenue, the budget problem will continue.

Mr. Seibert asked members to channel their questions to Mr. Steele so that he can send the request for information to Mr. Garofalo and Mr. Coelho.

Mr. Carluccio asked the Schools to take a closer look at the special accounts after the current budget season.

Mr. Bowen made a motion to recommend approval of **Article 29-Stabilization Fund Appropriation** with an appropriation of \$100,000 to the Stabilization Fund as written in the warrant. Mr. Steele seconded. The motion passed 9-0-0.

**Old Business:** Mr. Busa asked if something else had happened to the sewer line break under Bedford St. in Lexington. Mr. Reed said the patch in the road had settled, causing a deeper depression in the pavement.

Mr. Steele asked why the Town was going to switch to using water from Burlington. Mr. Reed replied that Burlington uses a different type of chlorine and it is thought that the switch might improve internal pipe conditions so that total coliform bacteria would not develop. The switch was also done last year.

**New Business:** Mr. Thomas commented that funding the schools might not be as simple a matter as “tacking on a percentage every year.” He also said that he was generally concerned about “percentage-

creep” and was disappointed not to have had a full conversation before adding \$60,000 to the School budget, since it was bundled into a motion to add money to the Snow Deficit.

Ms. McClung notified the Committee that a meeting about the PARCC testing would be held at Framingham State on March 18 from 6:30-8:30.

Mr. Steele added that on March 19, there would be a technology showcase at the high school that will demonstrate students and their work.

**Minutes:** Mr. Busa made a motion to adjourn the meeting without approving past minutes. Mr. Kenney seconded. The motion failed 2-7-0.

Ms. Perry voted to recommend approval of the minutes of January 30, 2014. Mr. Carluccio seconded. Mr. Thomas made a revision in the minutes so that “through-putting” was changed to through-put. Ms. Perry will send typo revisions to the recording secretary.

With these corrections understood, the vote was 8-0-1 to accept the minutes as revised.

A motion to adjourn was made by Mr. Busa and seconded by Mr. Steele. The motion passed 9-0-0.

Respectfully submitted,

Kim Siebert, FinCom Recording Secretary